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#### ARTICLES:

- (1) Close-up 2006 column -- Will mutual understanding be promoted between Japan, China through joint history study?

MAINICHI (Page 3) (Almost full)  
December 27, 2006

Kazuo Iida, Tomoko Onuki, Beijing

The joint history study project consisting of experts from Japan and China was finally launched on Dec. 26 as part of an effort to improve mutual understanding. The project will involve discussions among academics in order to avoid the history issue evolving into a political issue. The two countries aim to release the results of the joint study in 2008, the year that will mark the 30th anniversary of the signing of the Japan-China Peace and Friendship Treaty. However, a gap in views exists between the two countries, with Japan wanting to focus on the 60 years after the end of the war, during which the two countries have had peaceful and friendly relations and China wanting to focus on the history of wartime aggression. Whether the project will lead to improving the current relationship and changing it into a future-oriented one remains an open question.

Perception gaps exist over "Nanking Massacre or Rape of Nanking" and "military sex slaves"

"In Japan, speeches and activities not admitting the responsibility for the war of aggression and denying the historical facts of the war have existed until now. Those irresponsible words and actions going against the common interests of the two countries have constantly hurt the public sentiment of a war victim nation."

Bu Ping, chair of the Chinese research team and head of the Institute of Modern History of the Chinese Academy of Social Sciences made that remark in a speech delivered at the opening of the first round of the joint study meeting on Dec. 26. "The first matter for us is to overcome the barriers caused by those words and actions," Bu continued, stressing that the history issue relating to the past war should be taken up first.

The themes of the joint study for discussions are: (1) the more than 2,000 year history of exchanges between Japan and China; (2) the

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unhappy history during the modern age; and (3) the 60 years of progress in Japan-China relations since the war.

Of the three, Japan is focusing on the 60 years of postwar history and aims to obtain a favorable evaluation about Japan from China, motivated by a desire to avoid the case where spotlight will be directed solely on the unhappy period in the entire history of bilateral relations. Japan intends to bring up such specific events as what Japan's official development assistance to China has achieved and how Japan helped China to come back to the international community when that country was isolated from the international community because of the 1989 Tiananmen Square Incident.

On the other hand, China, as expected, focuses on the unhappy history. Indeed, Bu's opening speech revealed that there were the differences in ulterior motives between the two countries, implying a rocky path for both sides to follow in the months ahead.

Japan appears not to argue during this round of the joint study meeting about historical facts relating to the war of aggression on China. But there are broader perception gaps over individual historical facts, especially so over the Rape of Nanking. China insisted that the former Imperial Japanese Army killed 300,000 - 400,000 Chinese, while in Japan, a number of arguments exists over the number of the victims from several thousands to 200,000 exist. Some in Japan even assert that the massacre itself was a fabrication.

The two countries are also wide apart over the issue of military comfort women. In Asian nations, such as China and South Korea, many have pointed out that the former Imperial Japanese Army was involved in military comfort women, for instance, in the way to construct brothels. The Japanese government admitted to the former Imperial Japanese Army's involvement and offered an apology and a remorse in a statement released in 1993 in the name of then Chief Cabinet Secretary Yohei Kono. Nonetheless, many in Japan still argue that

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those women were not necessarily forced to become military comfort women.

Prime Minister Shinzo Abe had cast doubts on the Kono statement at a subcommittee meeting of the Lower House Committee on Audit in 1997, but in this past October, soon after assuming office as prime minister, Abe indicated during a question-and-answer session at the Lower House that he would follow the previous government's statement. This attitude came perhaps out of consideration for China and South Korea before his first visits to the two countries as prime minister, but it provoked complains from among some of his highly nationalistic supporters.

On the number of Chinese killed by the former Imperial Japanese forces, a person involved in the joint study commented: "When the war ended, the Chinese side declared that the number was 'three million,' but last year, (when the anti-Japanese movement occurred in China), China said 'the number was 35 million.'" The Japanese side intends to advance the joint study in an objective manner by using data from third countries, such as the US and Russia.

(2) With six-party talks adjourned without progress, breakthrough proposal floated for a summit meeting among US, China, and Japan

NIHON KEIZAI (Page 2) (Excerpts)  
Eve., December 28, 2006

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Commentary by Editorial Writer Tsuyoshi Sunohara

Six-party talks on the North Korea nuclear issue recessed on Dec. 22 without achieving any progress. North Korea refused to respond to discussions on its nuclear programs, insisting first that the US' financial sanctions be removed. Its attitude not only perplexed Japan and the US, it affected China, the chair of the talks, as well. A view has emerged questioning the meaning itself of having six-party talks.

"Perhaps there should be talks on the future of North Korea at a trilateral summit meeting of the heads of the United States, China, and Japan?" One former US government official has proposed such an idea to President Bush in his office at the White House. That person is former Department of State counselor Philip Zelikow. He is a close friend of Secretary of State Rice, and is known for having co-authoring with her an essay on German unification.

At first, the Bush administration maintained an unwritten policy goal of "regime change" in North Korea, but when it come down to it, it seemed to be nothing but "political rhetoric," as former Secretary of State Powell put it. However, in foreign-policy circles

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of the Republican Party, the dominant view in consideration of such issues as North Korea's nuclear and missile programs and the abductions of Japanese citizens, was: "As long as the Kim Jong Il regime is in power, there can be no complete resolution of the issues," as a former senior official of the State Department indicated.

Based on such analysis, the idea floated was to hold a summit meeting of the leaders of the United States, China, and Japan, which might be called an Asia-style Yalta Conference, similar to that held by the US, Britain, and the Soviet Union to discuss resolving the post-World War II situation. The leaders of Japan, the US, and China would directly negotiate not only on the missile and nuclear issues but also from the perspective of such mid to long-range topics as post-Kim Jong Il arrangements and the unification of the two Koreas. The aim would be to set a future direction for North Korea.

According to a source in the US government, this was a "concept" and nothing more, and never went to the actual policy level. However, when former State Department counselor Zelikow proposed it, even though President Bush did not give any specific reaction, Secretary Rice had an expression on her face that it was not a bad idea, according to a US government-connected source.

(3) Futenma alternate facility: Governor one day before inauguration

proposed having one runway and moving it seaward

RYUKYU SHIMPO (Top play) (Excerpts)  
December 29, 2006

In connection with the construction of an alternate facility for the US forces' Futenma Air Station, it was learned as of yesterday that Okinawa Governor Hirokazu Nakaima, who has been opposed to the government's relocation plan that features a V-shaped runway, on Dec. 9, the day before his inauguration, attended a meeting of the Itsutsunohinokai (Fifth day committee, chaired by House of Representatives lawmaker Masaji Nakamura), made up of Liberal Democratic Party Diet members elected from or born in Okinawa. He there transmitted his view on the alternate facility, saying, "It would be desirable to make it into one runway and move it seaward."

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This was confirmed by several informed sources. The Defense Agency (JDA), too, has informally told the prefecture that it was prepared to revise the plan, but with no prospect of the governor's call for having the runway closed within three years being in sight, it may not be impossible to realize at a stroke talks to revise the plan relocating the facility in the prefecture.

According to an informed source, the revised plan that Governor Nakaima hoped to see reportedly was close to Nago Light Plan (shallow waters plan) that the US and the Foreign Ministry had advocated just prior to the interim agreement on USFJ realignment reached last October. Nago City also accepted this plan.

The Itsutsunohinokai took the view that it was essential to reflect the desires of the local community of Nago City.

Although Nago City had agreed to the government's plan to construct a V-shaped runway, with the V-shaped runway, aircraft would fly over the homes of local residents. In order to avoid that, if the runway were moved into the sea and only one runway built, it would be easy to avoid aircraft flying over the village.

The governor will now negotiate with the government to have Futenma in "closed situation in three years," and at the same time, apparently will coordinate with the local governments about the revision of the plan, indicating his intention to approve it against the background of having local agreement.

(4) New Komeito Ota meets prime minister for three days in row

NIHON KEIZAI (Page 2) (Excerpts)  
December 29, 2006

New Komeito President Akihiro Ota called on Prime Minister Shinzo Abe at the Kantei yesterday, the last business day of the year, and presented a package of proposals prepared by his party regarding the government's Asia Gateway Initiative. Ota met the prime minister for three days in a row, despite the Diet being out of session. Now that the Abe administration is suffering a series of setbacks, including the resignation of Administrative Reform and Regional Revitalization Minister Genichiro Sata, Ota appears to have tried to encourage the prime minister by visiting him for three continuous days.

In its package on the Asia Gateway Initiative, the New Komeito proposed establishing an investment institute to foster Asian companies and setting up air routes between Japan and Asian countries on a priority basis. The New Komeito intends to cooperate in translating the concept into action.

The meeting yesterday was suddenly arranged at the request of Ota on the phone to prime minister's secretary Yoshiyuki Inoue late at night of the previous day. On Dec. 26, Ota met the prime minister for about 20 minutes to speak of his planned visit to China starting on Jan. 7 and other matters. On the 27th, Ota accompanied the prime minister on his tour to a shopping mall in Kita Ward, Tokyo, his electoral district.

Ota was elected to the House of Representatives for the first time in 1993, the same as the prime minister, but he is nine years older

than Abe. They had few opportunities to meet each other until then. They have just started contacting each other as the leaders of the coalition parties.

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In late September, Prime Minister Abe met with Honorable Chairman Daisaku Ikeda of Soka Gakkai, the main support group for the New Komeito. Ikeda was on close terms with former Prime Minister Nobusuke Kishi, the prime minister's grandfather. Members of the New Komeito and Soka Gakkai have begun to feel intimacy toward the prime minister, but they also harbor a sense of alarm about his hawkish policy stance, for instance, on revision of the Constitution.

The meeting yesterday lasted for about 10 minutes. In response to the prime minister's remark, "Thank you for your visiting me the day before yesterday and yesterday," Ota said, "I would like to cooperate with you next year, too," underscoring his willingness to support the prime minister, who is now in a quandary over dropping public support rates.

(5) M&As by Japanese companies reach 15 trillion yen, up 30 % this year; Record high in terms of number; Overseas investment getting bigger

NIHON KEIZAI (Top Play) (Almost Full)  
December 29, 2006

Japanese companies are stepping up their mergers and acquisitions (M&A) activities both in Japan and abroad. The number of M&As in 2006 registered the highest since 1999, up approximately 30% from the preceding year, reaching 15 trillion yen in value terms. Companies advancing overseas are seen investing huge amounts of money in foreign companies in order to strengthen competitiveness, while mature industries are increasingly making efforts for industrial reorganization in order to survive. Proposals for hostile takeovers and management buyouts (MBO), spurred by exhortations by M&A advisory companies, were also prominent.

The number of M&As reached a record high of 2,764 cases, up 1% , indicating that such transactions have taken root as a commonplace corporate strategy. M&As for the reorganization of banks, such as the Mizuho Financial Group, alone reached approximately 10 trillion yen in 1999. However, M&As by operating companies were pronounced this year. Recof, an M&A broker located in Chiyoda Ward, Tokyo, tallied the data.

M&As targeting foreign companies grows five-fold

An increase in M&As targeting foreign companies is attributable to the increase in M&As in value terms. The takeover of Gallaher, a leading British tobacco manufacturer, by JT was the largest overseas investment by a Japanese company, with 2.2 trillion yen. The top-five M&As, including the takeover of Japanese corporation of Vodafone of Britain by Softbank, all involved foreign companies. As moves to seek opportunities for growth abroad gathered steam, M&As targeting foreign companies have expanded to 8.4 trillion yen, up more than five times.

On the domestic front, an increasing number of companies in matured markets, such as consumption and food, were seen making efforts to boost their shares. Methods of M&As have also diversified with MBOs growing 2.3-fold with 690 billion yen and takeover bids (TOBs) expanding six-times with 3.6 trillion yen.

Active moves by advisor companies

In the financial advisory area, foreign banks have been visibly active in giving advice to companies. According to Thomson

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Financial, a research company, European and US financial institutions, starting with Goldman, gained the top-three spots in terms of money gained by giving advice.

Goldman Sachs zoomed up to first place due the M&As involving JT and Softbank, to which it acted as advisor. UBS, which came in second, served as an advisor to Vodafone in its merger into Softbank. It also played an active role in the MBO involving Skylark. Merrill Lynch served as an advisor to JT.

Large-scale border-crossing M&As by Japanese companies have continued, leading to advance of foreign financial institutions, which have customers across the world in the M&A business.

Japan occupies 5% of M&As throughout world

M&As are growing in size throughout the world, topping 2.5 trillion dollars as of September, up more than 30% from the previous year. M&As exceeding 10 billion dollars have continued in December, a pace faster than that of 2000, the year that recorded the fastest pace in annual terms with 3.5 trillion yen. Since Japan's M&As occupy only about 5% of all, some take the view that Japan is at last on the threshold to the age of full-fledged M&As. A ban on a triangular merger system, which allows a foreign company to purchase a Japanese company using its own stock as merger consideration, will be removed next May. Chances are that Japanese companies could be buffeted by waves of global M&As.

(6) Japan-US alliance heading toward new stage, going beyond security sphere

By Howard Baker, former US ambassador to Japan

Wedge (January) (Full)

It was a great honor for me to have been able to fulfill my duty as United States ambassador to Japan for a four-years period. I am warmly grateful to President Bush, who awarded me the position that represents in Japan the United States and the US President. My wife Nancy and I met wonderful persons, visited many beautiful places, and enjoyed Japan's impressive culture and traditions.

I learned that the Japanese economy is vital and filled with potential. What stands out in my memory is the warmth and friendship of the Japanese people, in short, amicable relations between Japan and the US. The friendly relationship established between Japan and the US is noteworthy, when considering that the two countries had engaged in warfare at a time not so far off in the past.

For the future of Asia, it is imperative for the two countries to continue to be on good terms and to perceive the need for the other side's cooperation. Japan-US relations are the bedrock of the United States' diplomatic and military policies in Asia, and I believe that Japan also has the same view.

We are now facing a crisis. The crisis is spreading on the Korean Peninsula. Japan and the US are strong, vital, well governed, and democratic. The two countries have the capability to work out policies that ensure their national security and prosperity. I hope that Japan and the US will tighten their cooperative relations further and work together not only on the economic front but also in order to promote such values as democracy, individual freedom, and the rule of law.

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In conclusion, I would like to say to the readers: Although there are many things to which I pay respect in Japan, I particularly envy its railway systems, as represented by the Shinkansen bullet train system. I had a test ride on a superconducting linear motorcar express. The bullet train system is a successful case in Japan's technical area, but the development of superconducting liner motorcar promises a brighter future for the transport sector.

-- What will the outcome of the midterm elections have on the future political management of President Bush?

Baker: The Republican Party, which the president belongs to, traditionally has suffered defeats in past midterm elections, but in

the latest one, it ended up losing only a limited number of seats. Even so, some effects will inevitably appear in the policymaking process, because all committees are now under the Democratic Party's control, and Democratic Party members are installed to the posts of both Senate and House majority leaders. The key lies in whether the Democratic Party will take a cooperative or confrontational stance while President Bush is in office for the remaining two years. I wish the Democrats would remain cooperative, but nobody knows which course they will choose. If progress is made in both parties' programs, the remaining two years will turn to be a very good term. It is true, though, many members in the Democratic Party are seeking an opportunity to criticize President Bush and his administration, so optimism may not be warranted.

If the Democrats choose the option of countering the government's management, no major changes would occur over the next two years. But if they decide to offer cooperation to the government, it will become highly possible for the two parties to approve the other side's bills, resulting in bringing about benefits to the US.

Regarding whether the Democrats are cooperative or confrontational toward the government, we won't know for a while until after the Congress is convened in January 2007, for instance, for several weeks or several months. Their stance hinges on what intents the new leaders in the Senate and House may have and if they are capable of controlling radical Democratic members. I believe that President Bush is willing to offer a helping hand and join hands with new Democratic Party members. We will be facing an interesting and important period from now.

-- How will the Bush administration's Iraq policy be affected?

Baker: I think the policy will not so significantly change as predicted by the media. The president has authority related to war. But the Congress is responsible for budgetary allocations. On the occasion of the Vietnamese War, the Congress enacted the so-called Cooper Church Law, which called for ending the war. But it was not the law but the Senate Budget Committee that terminated the Vietnam War. The committee cut the funds necessary to continue the war. I do not think a similar situation would occur this time. The Congress is expected to issue various demands or suggestions regarding the Iraq war, but in my view, it will cooperate with the president in the end, and the Congress will not take a similar step to that on the occasion of the Vietnam War.

The Iraq war might have more effect on Japan than on the US. The war ushered Japan into a modern, powerful, and international nation. I think it was a matter of time for Japan to move in that direction, but the Iraq war accelerated the process.

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-- The Koizumi administration greatly contributed to strengthening Japan-US relations. I believe that Prime Minister Abe also understands the importance of Japan-US relations. What views do Americans have about this?

Baker: I know Prime Minister Abe very well. While in Japan, I frequently contacted him in the capacity of ambassador. I have great confidence in him. I believe he will be a brave, prudent, and good prime minister. I am looking forward to his future. Specifically, I am interested to see the fate of a bill to upgrade the Defense Agency to ministry status and if he is really eager to revise Article 9 of the Constitution.

-- What tasks do you think are placed high on the agenda in Japan-US relations?

Baker: The Japan-US alliance is vital for the sake of Japan's security. In a similar way, it is also inevitable for the US policy toward the Asia-Pacific region. Based on the Japan-US alliance, the US will be able to promote such values as democracy, liberalism, and the rule of law. All the more because there is the Japan-US alliance, this region can be changeable. It is imperative for Japan and the US to jointly address matters in a cautious manner for the future. In Japan, some persons say that the Constitution should not

be revised, but I do not agree to the view. Japan already has the second strongest Maritime Self-Defense Force, following the US military, in the Pacific Ocean, as well as the Air Self-Defense Force, which is modernized and has a dominating presence. A plan to deploy the missile defense system is underway, and the system is indispensable in light of the growing tensions on the Korean Peninsula.

-- Japan-US relations were strengthened under the Bush and Koizumi administrations. I think the close bilateral relations greatly contributed to guaranteeing security in Japan, stabilizing politics, and putting the economy on recovery track. I think it is also necessary for the two countries to construct a closer, inseparable relationship from now.

Baker: I agree. Japan and the US are coming closer in terms of foreign policy. I think the two countries have enjoyed the best partnership in the world. The US once regarded US-Britain relations as a special one. Hearing this, my British friends might be unhappy, but the Japan-US alliance is now a special relationship. This is indisputably true.

Whenever I visit Tokyo, I find the city cleaner. Tokyo is now the capital of East Asia in various senses. It probably was impossible without rational, resolute foreign policies of Japan and the US.

-- Who do you think is a potential candidate for the next presidency?

Baker: I have no idea until the last minute. My guesses have never been right.

DONOVAN